

Agenda item:

**[No.]**

**Procurement Committee**

**On 3 February 2011**

Report Title. **Extension of contract for the supply of Temporary and Permanent Workers.**

Report of **Stuart Young**

Signed :

Contact Officer : Steve Davies (Head of HR)

Wards(s) affected: **All**

Report for: **Approval**

**1. Purpose of the report**

- 1.1. To approve the extension of the current contract for the supply of temporary staff held by Hays Resource Management (HRM) for a further two years to 31 March 2013
- 1.2. To agree variations to the extended Contract as set out in this report.

**2. Introduction by Cabinet Member /Summary**

- 2.1. In 2006 a contract was awarded to Hays Resource Management (HRM) for the neutral supply of temporary and permanent staff. The contract was awarded for a period of 5 years with an option to extend for 2 further periods of 1 year. The original five year period will be completed in March 2011.
- 2.2. **The Model** – The neutral vendor model means that access to Council vacancies is not dominated by one large supplier. There are currently 104 suppliers signed up under the Hays contract – 71% of these are SMEs. What is also quite specific to the Haringey contract is that there is a tiering system in place. On a quarterly basis, the performance of each agency is reviewed against an objective scorecard resulting in the agency being promoted / demoted between the tiers. Thus opportunities for agencies to potentially fill Council vacancies are based on performance and ability to supply quality staff and service.

2.3. **Savings:** The invoicing and charging mechanism is set up in such a way as to create cashable savings. So far £3.4M of net savings has been created for the Council over the 5 years of the contract. The contract is set up in such a way that there is flexibility with regards to supplier margins. The charge rates are currently under review in order to allow greater savings in margins that reflect the changes in the labour market. Hays (HRM) are paid a share of the savings that they create for the Council which ensures that there is an incentive for them to provide best value to us.

2.4. **Collaborative Contract:** The contract with Hays (HRM) is a Pan London contract. Therefore other boroughs can join via access agreements. Westminster and Barnet have joined.

### 3. Proposed Variations to the Contract

3.1. **Service Charge:** The existing terms and conditions remain unchanged for the duration of the 2 year extension ie. Supplier Management with contractual mark up is underpinned by a gainshare. The HRM gainshare average for the last 12 months was (exempt information) per month. It has been agreed that the minimum gainshare value that HRM will be awarded as a service charge is (exempt information) per month. The gainshare values will be reconciled every quarter and adjustments made as relevant. It is necessary to establish a minimum charge to ensure a viable service against continued reductions in temporary staffing requirements. The minimum charge will be reviewable and monitored to ensure it represents value for money.

3.2. **Agency Expenses:** HRM will manage the expenses process for all temporary workers. Hays will pay all expenses upon receipt of a correctly authorised expenses claim form and will provide a consolidated bill and high-level expenses report to the Council. HRM has permission from HMRC to utilise an electronic expenses claim form which negates the need to charge VAT on the expense total. This will enable the Council to claim VAT on all VAT-able elements directly. HRM will charge an 8% mark up on each individual expense claim for this service. The benefit of this approach is that it reduces the reliance on the Cashiers Service to process agency worker reimbursements thus enabling this Service to be reviewed. In addition, this method will enable the council to track the whole cost of the worker rather than just the salary

3.3. **Direct Sourcing:** HRM propose a direct sourcing function- the database that will be built to fill these roles will be separate and distinct from the main Hays Plc candidate database so that the neutrality of the current contract can continue to be honoured. The division of HRM supplying into the contract will receive vacancies at exactly the same time as all the other first tier suppliers and their CV submissions will be viewed equally along with all other submission's. They will focus their candidate generation on finding temporary work for locally based residents and will

supply quarterly reports to this end. The benefit of this proposal is that it should enable Haringey to make 3-7% more savings against the margin than is currently made from other suppliers

**3.4. Outplacement and Career Transition:** Hays offer this web based service to be taken up by Haringey when relevant. The offering allows a variety of learning and information streams accessible by existing employees and out-placed employees. Pricing options to be discussed at the time of take up.

**3.5. Off Contract Spend:** HRM intend to commence a project where any current off contract spend with non contracted suppliers is moved to the existing contract at lower margins in return for these suppliers receiving new vacancies. This will offer both a reduction in overall cost and reduced invoice processing costs. Hays will review the usage of current consultants working for the Council either under their own limited company or a composite umbrella company. Their cost will be converted to a day rate and they will be paid via Hays for a charge of 3% - a dramatic reduction compared with the charges levied by consultancy firms. This will offer the Council further savings in removing any invoice processing costs and also give full visibility of costs etc by their inclusion within the contract management information packs.

#### **4. State link(s) with Council Plan Priorities and actions and /or other Strategies:**

- 4.1. Creation of cashable savings so that funds can be released to frontline services
- 4.2. Category Management – key part of the category plan for recruitment and people to ensure procurement of agency staff is best value.

#### **5. Recommendations**

- 5.1. That the current contract with the variations set out in paragraph 3 for the supply of temporary staff held by Hays Resource Management (HRM) is extended for a further two years.

#### **6. Chief Financial Officer Comments**

- 6.1. The existing contract has enabled the delivery of savings against agency spend and also provides useful monthly management information enabling a greater understanding of where resources are being directed which in turn has supported decision making. The proposed extension of the contract will enable these benefits to continue whilst allowing officers the time to prepare for a formal re-tendering; it will also provide stability in the processes around procuring temporary staff in what will be a period of considerable internal change.
- 6.2. The variation outlined in paragraph 3.1 relates to the Hays gainshare which is proposed would remain at (exempt information) (the Year 5 value built into the original contract) for the extension period but with a built in floor of a minimum (exempt information) per month. The floor is being proposed as it is recognised

that total agency use may well fall significantly over these two years in which case the application of (exempt information) would be unlikely to generate the gain share value needed to cover HAYS costs; hence the “floor” payment figure. This is an area that needs to be kept under close review and if the (exempt information) is consistently breached further discussion with Hays would be required to explore how this could be managed.

- 6.3. The contract variations proposed in paragraphs 3.2 and 3.5 should deliver net savings to the authority as a whole and the potential additional costs arising from the proposals regarding expense claims should be able to be contained within the existing management fee budget.

## **7. Head of Legal Services Comments**

- 7.1. The contract for the supply of temporary and permanent staff is categorised as a Part B service so is not subject to European tendering requirements.
- 7.2. The contract was let in 2006 for a period of five years with an option to extend for a further period of up to two years. The Council now wishes to exercise this option.
- 7.3. Because of the value of the contract, the extension will need to be approved by the Procurement Committee in accordance with CSO 13.02.
- 7.4. Agreement is also sought for variations to the contract as outlined in Section 3 of this report.
- 7.5. The Procurement Committee also has power to approve variations to the contract under CSO 13.02.
- 7.6. The Head of Legal Services confirms that there are no legal reasons preventing Members from approving the recommendations in this report.

## **8. Head of Procurement Comments**

- 8.1. The Hays contract has delivered tangible savings to the Council over the last 5 years and these have been in line with projected figures at the time of awarding the original contract.
- 8.2. Hays’ performance is regularly monitored and has proved to be very satisfactory throughout the contract period; plus hiring managers were recently surveyed prior to considering the option to extend the contract and their feedback has confirmed a satisfactory rating.
- 8.3. The existing contract includes an option to extend, but officers wish to take the opportunity to vary the contract as outlined in paragraph 3 above; and which is desirable and appropriate.
- 8.4. It is therefore in the Council’s overall best interest to agree the contract extension and proposed variations.

## **9. Equalities & Community Cohesion Comments**

- 9.1. All Agency temps used by Haringey are sourced from a variety of suppliers managed by Hays Resource Management. A total of 41 suppliers have signed up to the Hays Regeneration Charter. They are committed to registering candidates

who have successfully attended free training provided by one of the regeneration partners including Working Links, Career Development Group, Positive Employment and Sencia. During their training, candidates are supported by the Hays Regeneration Co-ordinator and staff from the provider agency. Contact was made with over 500 candidates during the period 2009/10, over 100 completed training and were placed in temporary assignments

## **10. Service Financial Comments.**

- 10.1. To enable Hays to sustain the service they currently deliver, we have agreed a monthly gainshare value (exempt information). This figure will be calculated over a 3 month rolling period to take account of any swings in gain share in relation to the (exempt information). If the (exempt information) is consistently breached then this would indicate that our spend on agency staff is low and remaining so. This will trigger a further discussion with Hays to explore whether costs could be removed by merging partner authorities services who access our contract. The situation will be kept under constant review.
- 10.2. Currently we reimburse agency workers for expenses incurred during the course of delivering their duty via our Cashiers Office. The process is onerous and necessitates the existence of the Cashiers Office at a time when reductions and more efficient ways of working are being explored. The cost to us of passing this process to Hays is minimal and anticipated to be no more than £3k per annum which will be absorbed within the current budget provision.
- 10.3. The reducing agency workforce in Haringey will materialise less costs for us on both the above and could well result in nil charges if no workers or invoice reimbursements were required.
- 10.4. Allowing Hays to directly source staff should deliver savings for Haringey by an estimated 3 -7% reduction on the current costs of supplying a worker
- 10.5. The outplacement offering is available but subject to further negotiation in terms of pricing at point of take up. No take up is planned at present therefore there are currently no cost implications.
- 10.6. Any work with Hays re the Off contract spend should deliver net savings for the Council both from the negotiation of reduced margins but also from a reduction in internal invoice processing. It will also enhance the management information available to the Council.

## **11. Local Government (Access to Information) Act 1985**

- 11.1. [List background documents]
- 11.2. [Also list reasons for exemption or confidentiality (if applicable)]